

**Sumner County  
Regional Airport Authority  
Audited Financial Statements  
June 30, 2009**

**Sumner County  
Regional Airport Authority  
June 30, 2009**

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**Sumner County  
Regional Airport Authority  
1475 Airport Rd.  
Gallatin, Tennessee 37066  
June 30, 2009**

**To the Members of the Authority**

The financial statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2009 are hereby submitted to the Authority Board and all others interested in the financial condition of the Authority. This report is published in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A which can be found immediately following the report of the independent auditor.

Dr. Wayne Hooper, Jr.  
Treasurer

Steve Sudbury  
Airport Administrator

**Sumner County Regional Airport Authority  
Roster of Board Members and Officials**

**Officers**

David Hunter	Chairman
Dr. Tom Graves	Vice-Chairman
Sue McPherson	Secretary
Dr. Wayne Hooper	Treasurer

**Board of Commissioners**

Tim Adair	David Blankenship
Richard Coker	Dan Downs
Jerry Kirby	Kevin McCutcheon
Charles Moore	

**Other Officials**

Steve Sudbury	Airport Administrator
Jet Harbor, Inc.	Fixed – Base Operator

**Carl A. Davis & Company**  
**Certified Public Accountants**

131 Maple Row Boulevard  
Suite A100  
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Commissioners  
Sumner County Regional Airport Authority  
Gallatin, Tennessee

We have audited the accompanying financial statements of the Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2009, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Board of Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2009, on our consideration of the Sumner County Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control

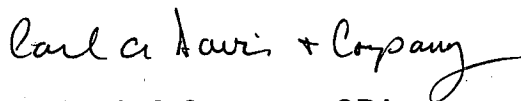
Independent Auditors Report

Page two

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 thru 9 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sumner County Regional Airport Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Sumner County Regional Airport Authority. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Carl A. Davis & Company, CPAs  
Hendersonville, Tennessee  
August 25, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (the "MD&A") of the Sumner County Regional Airport Authority provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2009.

Following the MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

### **Financial Statements**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board, (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances. The Statement of Cash Flows depicts how the Authority's cash was used during the year.

### **Airport Activities & Highlights**

The Sumner County Regional Airport continues to expand its operations and improve its image as a premier provider of general aviation services in the Middle Tennessee area. Pursuant to state law, the Authority began formulating a twenty-year development plan for all of its facilities in early 2006. Among other things, the plan provides an in-depth look at where the Authority sees itself headed in the decades to come.

In order to implement this type of long-term planning, the Authority needed to hire an engineering firm that possessed substantive knowledge of both general aviation and airport structure. The Authority also looked for a firm that could manage not only the ongoing construction projects, but also the airport's growth and terminal area development plans. After reviewing more than thirteen highly qualified firms, the Authority chose world-renown engineering firm R.W. Armstrong, who immediately began developing a new airport layout plan. That plan is now complete in principal, and is currently awaiting approval from the FAA.

But, the Authority's efforts to upgrade its facilities do not stop there. Since 2005, the Authority has applied for, and received, grants totaling over \$7.5 million. In

addition, several other projects have been completed or are currently underway. These include runway safety projects, reconstruction of the north end hangar apron, the addition of a ten-unit "T" hangar with an additional taxiway and apron. The Authority has also repaired tarmac surface cracks and sealed the existing taxiways and aprons. As a safety precaution, the Authority removed all underground storage tanks on the premises, and replaced them with an above ground fuel system for both "100 low-lead" and "Jet-A" fuel.

The Authority has also completed the purchase of the first twenty-four acre tract of land for the purpose of relocating Airport Road, which currently marks the eastern boundary of the property. The Authority is continuing the process of purchasing additional acreage which will allow for that relocation consistent with our new airport layout plan. The Authority has also received additional grants toward our runway extension project and is in the process of conducting an environmental assessment (separately funded by federal grant) which is necessary for the completion of the runway extension.

Long term, the Authority must continue to play a vital role in industrial recruiting, community development, and aviation advancement as it relates the future of Sumner County. The Authority firmly believes that its ongoing efforts will do much to assure that this goal is met. When all of these projects are complete, the Authority is certain that the Sumner County Regional Airport will be second to none in general aviation in Middle Tennessee.

## **Summary of Operations and Changes in Net Assets**

### **Operations**

Operating income was relatively level in the current year as compared to 2008. Total revenues increased \$2,012,593 as state and county grant funds were significant during the year.

The Authority received grant funds of \$1,480,353 from the State of Tennessee and \$595,000 from Sumner County which were used to purchase land, build hangars and complete runway repairs. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. At June 30, 2009, \$998,250 was classified as construction in progress..

Operating Expenses were approximately 26% higher than last year. Increases were primarily in airport maintenance and legal fees. Of the \$33,232 increase in operating expense, \$17,125 was attributable to maintenance projects and \$10,614 was related to legal expenses.

Below is a summary of the Authority's results of operations and changes in net assets for the years ended June 30, 2009 and 2008:



	2009	2008
Operating Revenues	\$178,238	\$155,249
Operating Expenses	159,876	126,644
Profit (loss) before depreciation and non-operating revenue	(989)	28,605
Depreciation	368,882	193,787
Loss before non-operating revenue	(369,871)	(165,182)
Non-operating Revenue, net	2,097,852	88,897
<b>Increase (Decrease) in Net Assets</b>	<b>\$1,727,980</b>	<b>(\$76,285)</b>

## Net Assets

The largest portion of the Authority's net assets (79% for the year ended June 30, 2009) represents its investment in capital assets (e.g., buildings, improvements and equipment). The Authority uses these capital assets to provide services to the pilots and other users at the Airport; consequently, these assets are not available for future spending. The remaining unrestricted net assets may be used to meet any of the Authority's ongoing obligations.

The following is a summary of the Authority's assets, liabilities and net assets at June 30, 2009 and 2008:

	2009	2008
<b>ASSETS:</b>		
Current and other assets	\$1,175,025	\$435,546
Capital assets	4,447,746	3,119,962
<b>Total assets</b>	<b>5,622,771</b>	<b>3,555,508</b>
<b>LIABILITIES:</b>		
Accounts Payable and Other Liabilities	351,790	12,508
<b>Total liabilities</b>	<b>351,790</b>	<b>12,508</b>
<b>NET ASSETS:</b>		
Invested in capital assets	4,447,746	3,119,962
Unrestricted	823,235	423,038
<b>Total Net Assets</b>	<b>5,270,981</b>	<b>3,543,000</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$5,622,771</b>	<b>\$3,555,509</b>

## Request for Information

These financial statements are designed to provide detail information on the Authority's operations and to all those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to Dr. Wayne Hooper, Jr., Treasurer, or Steve Sudbury, Airport Administrator.

Sumner County Regional Airport Authority  
Statement of Net Assets  
June 30, 2009

**Assets**

Current Assets

Cash	\$ 292,702
Certificate of Deposit	300,000
Grant funds receivable	362,675
Deposits with State	175,597
Prepaid expenses	<u>12,750</u>

Total Current Assets 1,143,724

Non-current Assets

Capital assets, net of accumulated depreciation 4,447,746

Other non-current assets 31,301

Total Non-current Assets 4,479,047

**Total Assets** **\$ 5,622,771**

**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$ 349,675
Deferred revenue	<u>2,115</u>

Total Current Liabilities 351,790

Total Liabilities 351,790

**Net Assets**

Invested in capital assets	4,447,746
Unrestricted net assets	<u>823,235</u>

Total Net Assets 5,270,981

**Total Liabilities and Net Assets** **\$ 5,622,771**

Sumner County Regional Airport Authority  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended June 30, 2009

Hangar Lease Revenue	\$ 149,636
Other Operating Revenues	<u>9,251</u>
Total Operating Revenue	158,887
 Maintenance Expense	 57,078
Insurance Expense	12,715
Utilities Expense	21,070
Administrative	39,126
Legal & Professional Expense	29,887
Depreciation Expense	<u>368,882</u>
Total Operating Expenses	528,758
 Net Income (Loss) From Operating Activities	 <u>(369,871)</u>
 Non-Operating Revenue	
State funds	1,480,353
County funds	595,000
Revenue from bid bond default	19,349
Interest Income	<u>3,150</u>
 Total Non-Operating Revenue	 <u>2,097,852</u>
 Increase (Decrease) in Net Assets	 1,727,981
 Total Net Assets at June 30, 2008	 <u>3,543,000</u>
 Total Net Assets at June 30, 2009	 <u>\$ 5,270,981</u>

Sumner County Regional Airport Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2009

**Cash Flows from Operating Activities**

Cash received from customers	\$ 158,887
Cash paid to suppliers and employees	<u>(162,966)</u>
Net Cash Provided By (Used in) Operating Activities	<u>(4,079)</u>

**Cash Flows from Investing Activities**

Invested in certificate of deposit	\$ (300,000)
Interest income received	<u>3,150</u>
Net Cash Provided By (Used In) Investing Activities	<u>(296,850)</u>

**Cash Flows from Non-Capital Financing Activities**

Net Cash Provided By (Used In) Financing Activities	<u>0</u>
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**Cash Flows from Capital and Related Financing Activities**

State grant payments received	1,480,353
County grant payments received	595,000
Bid default funds received	19,349
County grant matching funds submitted to state	(45,084)
County grant matching funds reimbursed from state	162,440
Cash payments for the purchase of capital assets	<u>(1,740,964)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>471,094</u>

<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>170,165</b>
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<b>Cash and Cash Equivalents at June 30, 2008</b>	<b><u>122,538</u></b>
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<b>Cash and Cash Equivalents at June 30, 2009</b>	<b><u>\$ 292,702</u></b>
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Sumner County Regional Airport Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2009

**Reconciliation of Net Gain to Net Cash Provided by Operating Activities**

Net Loss from Operating Activities	\$ (369,871)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation and amortization	368,882
(Increase) decrease in prepaid expenses	(1,195)
Increase (decrease) in accounts payable	<u>(1,895)</u>
Total Adjustments	<u>365,792</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (4,079)</u></b>

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2009

**Note 1 – Organization and Reporting Entity**

The Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee (the "County") was established in 1981 in accordance with Resolution No. 1181-102 of the Sumner County Commission, pursuant to the Airport Authorities Act as set forth in the Tennessee Code Annotated, 42-3-103. The governing Board of the Authority is selected by the Authority as terms expire and confirmed by the Sumner County Board of County Commissioners. The Authority's eleven member board consists of individuals who have the requisite aviation background or have a lifetime and/or an education background in the aviation field as well as members who are residents of the community. The Authority is managed on a daily basis by a third party administrator (see Note 6).

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit with the County's general purpose financial statements based on the County's responsibility for the appointment of the Authority members, and their approval of capital programs and certain debt issuances. As a component unit of the County, the Authority's financial statements are discretely presented in the County's general purpose financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

**Cash, Cash Equivalents and Investments**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. No cash equivalents were held by the Authority as of June 30, 2009.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2009

Per Tennessee statutes, bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the FDIC unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes. As of June 30, 2009, the Authority's combined bank account balances exceeded FDIC insured limits by \$342,702. The financial institution does not participate in the State Collateral Pool but has pledged adequate collateral to cover the excess risk.

### Receivables

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The Authority determined an allowance for uncollectible amounts was not needed as of June 30, 2009.

### Capital Assets

Capital assets are recorded at historical cost. Subsequent acquisitions of new assets and expenditures which substantially increase the useful lives of existing assets exceeding \$7,500 are recorded at cost. Other acquisitions below this threshold are expensed in the period incurred.

Maintenance and repairs are expensed as incurred. In the future, when properties are disposed of, the related costs and accumulated depreciation will be removed from the respective accounts and any gain or loss on disposition will be credited or charged to an expense. Capital assets will be written off when fully depreciated unless clearly identified as still being in use.

Capital assets are depreciated over their estimated useful lives. Office equipment, computers and fixtures are fully expensed in the year of purchase. The estimated lives by general classification are as follows:

	<u>Years</u>
Buildings .....	30
Building and land improvements.....	10-15
Large equipment and vehicles .....	10
Small equipment and vehicles .....	5

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2009

### **Capital Contributions**

Certain expenditures for airport capital improvements are significantly funded through State allocation or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditure is incurred.

Grants for capital asset acquisition, facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

### **Revenue**

The Authority provides hangars for pilots who use the Airport facilities and one hangar for the Fixed Base Operator (FBO). The majority of the hangars were built and are owned by the Authority, however, eleven of the hangars were built and are owned by private individuals. The Authority leases to the owners the underlying land related to the hangars privately built. The ownership of the eleven hangars built by private individuals will transfer to the Authority at the end of their respective thirty year lease terms. Underlying land leases range from \$40 to \$323 month. Leases on hangars built and owned by the Authority have rents which range from \$145 to \$175 per month for individual hangars and \$500 and \$3,750 per month for the two corporate hangars.

### **Deferred Revenue**

The Authority records hangar rent collected in advance of the months in which it is earned as deferred revenue. Deferred revenue was \$2,115 at June 30, 2009.

### **Net Assets**

In conformity with GASB Statement No. 34, net assets have been labeled and displayed in three components: "invested in capital assets, net of debt", "restricted" and "unrestricted". As of June 30, 2009, there were no restricted net assets.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.



Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2009

**Note 3 - Contingencies**

The Authority is a defendant in a lawsuit titled Northstar Environmental Group v. Sumner County Regional Airport Authority. The Authority continues to defend this matter and the outcome cannot be determined at this time. However, Authority management and Counsel estimate that should loss occur, it will not exceed \$20,000. The matter is scheduled for trial on October 1, 2009. This potential loss is reasonably possible and has not been accrued.

**Note 4 – Long Term Debt**

No long term debt was incurred by the Authority for the year ended June 30, 2009 (see Note 12 for debt incurred subsequent to year end).

**Note 5 - State Grants**

During the year ended June 30, 2009, a total of \$1,480,353 in federal and state grant monies were paid by the State of Tennessee to the Authority. These funds were disbursed for various construction and maintenance projects. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. None of these funds are required to be repaid. At June 30, 2009 the Authority held approved State grants with \$2,755,021 remaining and available to the Authority.

At June 30, 2009, the Authority had \$175,597 remaining on deposit with the State of Tennessee for matching portions of grants that have been awarded to the Authority. The Authority remitted an additional \$45,084 to the State during 2009 and recognized \$162,440 in returns of previously submitted matching funds.

Matching funds are recognized by the Authority on a pro rata basis as the underlying projects are completed and grant funds are released by the State.

**Note 6 - Airport Management**

The Authority has contracted with Jet Harbor, Inc. to act as Fixed Base Operator for the airport. As FBO, Jet Harbor, engages in flight instruction, aircraft rental, aircraft maintenance, aircraft charter and the sale of fuel and lubricants.

The Authority has contracted with J & S Properties to perform daily management duties for \$2,500 per month. During the year ended June 30, 2009, management expense totaled \$30,000.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2009

**Note 7 - Budget**

The Authority is not required by law or GASB to utilize a budget and does not do so.

**Note 8 - Fixed Assets**

Non-depreciable assets owned by the Authority consist solely of land recorded at cost. Eleven privately built hangars were removed from the airport's fixed assets in previous years. These hangars are leased by private parties on thirty year terms and ownership of the hangars will revert to the Authority at the conclusion of the respective leases.

Depreciation expense for the year ending June 30, 2009 totaled \$368,882.

The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2009:

Depreciable Assets	June 30 2008	Additions	Disposals	June 30 2009	Accum Deprec.	Net Book Value June 30 2009
Buildings	4,436,182	-	-	4,436,182	3,160,414	1,275,768
Building Improvements	149,471	-	-	149,471	127,103	22,368
Leasehold Improvements	1,417,605	-	-	1,417,605	212,509	1,205,096
Equipment	297,061	-	-	297,061	68,212	228,849
<b>Total</b>	<b>6,300,319</b>	<b>-</b>	<b>-</b>	<b>6,300,319</b>	<b>3,568,239</b>	<b>2,732,081</b>
<b>Non-depreciable Assets</b>						
Land	19,000	698,415	-	717,415	-	717,415
Construction in Progress	-	998,250	-	998,250	-	998,250
<b>Total</b>	<b>19,000</b>	<b>1,696,665</b>	<b>-</b>	<b>1,715,665</b>	<b>-</b>	<b>1,715,665</b>
<b>Total Assets</b>	<b>6,319,319</b>	<b>1,696,665</b>	<b>-</b>	<b>8,015,984</b>	<b>3,568,239</b>	<b>4,447,746</b>

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2009

**Note 9 – Related Party Transactions**

During the year ended June 30, 2009 the Authority received \$595,000 from Sumner County. \$295,000 of these funds were used to cover required matching funds on federal grants awarded to the Authority. The remaining \$300,000 has not yet been spent and is being held in a certificate of deposit. (See Note 12)

Certain board members lease hangars for their private aircraft. These lease are billed and paid on the same terms as the general public.

**Note 10 - Risk Financing Activities**

The Authority is exposed to certain risks of loss related to its buildings (hangars), equipment and infrastructure improvements (runways). The Authority is not covered by the Sumner County Self Insurance Plan, but has obtained commercial insurance as required by the "Airport Minimum Standards and Rules and Regulations". The Authority has had no settlements in excess of insurance coverage in the past three years.

**Note 11 - Leases**

The Authority has a 30 year lease for certain privately built hangars whose ownership reverts to the Authority at the end of the lease period. These hangars were removed from fixed assets in previous years. The value of these hangars is estimated at \$1,260,000.

**Note 12 – Commitments / Subsequent Event**

On July 13, 2009 the Authority purchased a corporate aircraft hangar that was previously owned by a private party. The purchase price of this hangar was \$350,175 and was financed by a promissory note in the same amount bearing interest at 3% and collateralized by a \$300,000 certificate of deposit. The note does not require monthly principal payments and is due in full on July 31, 2010. The hangar was leased at a rate of \$3,500 per month to a member of the board. While principal payments are not required on the note, the Authority intends to apply approximately \$3,200 per month of this lease payment to principal beginning in August 2009.

As noted in Note 9, the \$300,000 certificate of deposit represents funds received from Sumner County based on Resolution 0207-08 in July 2002. This grant was not received by the Authority until July 2008. Resolution 0207-08 characterizes these funds as an interest free loan to the Authority and requires repayment at a rate of \$2,500 per month.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2009

**Note 12 – Commitments / Subsequent Event (continued)**

As of the date of this report, Sumner County government had not presented any documentation to the Authority evidencing the terms of the loan and, as such, no payments have been made. Further, the Authority does not believe the intent of this award at the time it was made was that it be in loan form. Representatives of the County and the Authority are reviewing this matter. The grant is reflected as part of Net Assets at June 30, 2009.

**\*\*\* End of Notes \*\*\***

## Other Reports

Sumner County Regional Airport Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ending June 30, 2009

Pass Through Grantor	CFDA #	Sub-recipient Number	Balance June 30, 2008	Funds Received	Expenditures	Balance June 30, 2009
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-09-21-3380-01	\$0	\$13,000	\$13,000	\$0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-04-01-8991-00	0	5,400	5,400	0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0734-00	0	60,295	68,795	(8,500)
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-07-03-7719-00	0	387,589	393,998	(6,409)
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0687-00	0	314,470	319,786	(5,316)
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0686-00	0	638,500	638,500	0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0728-00	0	198,135	198,452	(317)
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0809-00	0	25,403	25,719	(316)
			\$ -	\$ 1,642,792	\$ 1,663,650	\$ (20,858)

**Carl A. Davis & Company  
Certified Public Accountants**

131 Maple Row Boulevard  
Suite A100  
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Members of the Board of Commissioners  
Sumner County Regional Airport Authority  
Gallatin, Tennessee

We have audited the financial statements of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated August 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described as Findings 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

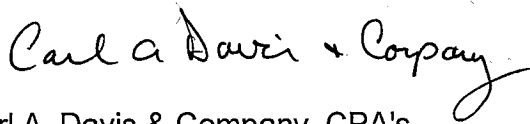
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, and others within the organization, the County Commission and federal awarding agencies, pass-through entities and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Carl A. Davis & Company, CPA's  
Hendersonville, Tennessee  
August 25, 2009



**Carl A. Davis & Company**  
**Certified Public Accountants**  
131 Maple Row Boulevard  
Suite A100  
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

**Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Members of the Board of Commissioners  
Sumner County Regional Airport Authority  
Gallatin, Tennessee

**Compliance**

We have audited the compliance of the Sumner County Regional Airport Authority with the types of compliance requirements described in the *US. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non--Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to the programs.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

## Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relevantly low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted two matters involving internal control over compliance and its operation that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider both items noted above to be material weaknesses.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, and others within the organization, the County Commission and federal awarding agencies, pass-through entities and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Carl A. Davis & Company*

Carl A. Davis & Company, CPAs  
Hendersonville, Tennessee  
August 25, 2009

**Sumner County Regional Airport Authority  
Schedule of Audit Findings and Responses  
For the Year Ended June 30, 2009**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Sumner County Regional Airport Authority.
2. There are two significant deficiencies that are considered material weaknesses.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal awards program.
5. The auditor's report on compliance with major federal awards programs for the Authority expresses an unqualified opinion.
7. The programs tested as major federal awards programs include those of the Tennessee Department of Transportation – Aeronautics Division.
8. The threshold for determining Type A and B programs was \$300,000.
9. The Authority was determined to be a high risk auditee under the stipulated federal criteria for risk assessment.

**B. Follow-up on Prior Year Audit Findings**

**Finding 2008 – 1**

In response to the prior year finding on segregation of duties, the Authority continues to have this issue.

**Finding 2008 – 2**

In response to the prior year finding on the absence of management with a relevant level of financial expertise, the Authority continues to have this issue.

**C. Findings – Financial Statements Audit**

**Finding 2009-1**

Statement of Condition

The Authority has an inadequate segregation of duties.

#### Criteria

Internal controls should include adequate segregation of duties.

#### Effect of Condition

The absence of segregation could increase the opportunity to misstate or misuse the Authority's funds.

#### Cause of Condition

The size of the Authority's management precludes the ability to segregate the necessary accounting functions.

#### Recommendation

Management should continue to look for opportunities to increase Board oversight and controls.

#### Management Response

The Authority's Board, officers and management work together and openly share all financial information relevant to the operation of the airport. We continue to believe the current management structure is the best use of the State, County, and customer resources and we will continue to strengthen controls as appropriate.

### **Finding 2009-2**

#### Statement of Condition

The Authority does not have internal financial management with a level of expertise that allows the preparation of financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP).

#### Criteria

Recently enacted accounting and auditing requirements place an expectation on the entity to have sufficiently knowledgeable financial expertise as part of management.

#### Effect of Condition

The lack of internal financial management inhibits financial reporting.

#### Cause of Condition

The Authority has no employees and is managed by its Board and a contracted manager.

#### Recommendation

We recommend the Authority implement review procedures to ensure that the financial statements are prepared in conformity with GAAP.

#### Management Response

The Authority believes that its present management structure is able to present core financial statements that are auditable and that fairly reflect the operations of the airport. We believe that expanding the current management structure to accomplish these guidelines does not strengthen its financial or operational position and would only serve to consume resources that can be used to better the airport operation.

**Sumner County  
Regional Airport Authority  
1475 Airport Rd.  
Gallatin, Tennessee 37066  
June 30, 2009**

August 25, 2009

Tennessee Department of Transportation –  
Aeronautics Division

The Sumner County Regional Airport Authority respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent public accounting firm: Carl A. Davis & Company, CPAs, 131 Maple Row Boulevard, Suite A100, Hendersonville, TN 37075

Audit period: The year ended June 30, 2009

The findings from the August 25, 2009 Schedule of Findings and Questioned Costs are discussed below:

**Findings – Financial Statement Audit**

**2009-1 Segregation of Duties**

Recommendation

Management should continue to look for opportunities to increase Board oversight and controls.

Action Taken

Management will continue to work openly and will strive to identify any further cost effective enhancements to internal control.

**2009-2 Financial Function**

Recommendation

We recommend the Authority implement review procedures to ensure that the financial statements are prepared in conformity with GAAP.

Action Taken

The Authority believes that its present management structure is able to present core financial statements that are auditable and that fairly reflect the operations of the airport. We believe that expanding the current management structure to accomplish these guidelines does not strengthen its financial or operational position and would only serve to consume resources that can be used to better the airport operation.